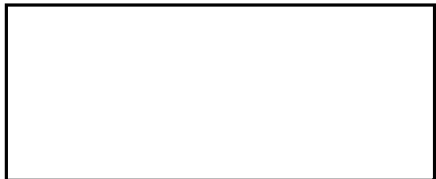


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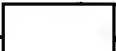
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State Dept. review completed

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OK

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1. REPORT OF SOVIET LAUNCHING OF MANNED
ROCKET PROBABLY UNTRUE

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A spokesman for the Soviet Academy of Science laughed off the report with the comment that "It must be based on the Sputnik film." An official in the State Committee for Cultural Relations said, "If the report were true, it would be in the Soviet press." TASS has denied any knowledge of such a launching.

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The reports may have been based on a Moscow broadcast on 5 January of a fictional report "from the not-too-distant future" of the launching of a manned satellite.

The USSR claims to have launched rockets containing dogs to altitudes ranging up to 130 nautical miles, recovering the animals by parachute. Accomplishing a similar feat with a man, which would require a larger rocket and more equipment, is probably within current Soviet capabilities.

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2. PEIPING SHIFTS TO HARSHER POLICY IN TIBET

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[REDACTED]

The Chinese Communists are taking a more aggressive attitude toward Tibetan officials and plan large-scale arrests of resistance leaders in Lhasa,

[REDACTED]

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[REDACTED]

Active resistance to Chinese rule has thus far been confined to eastern Tibet, where harassment of Chinese Communist work teams and road traffic has been going on for more than a year. However, potential resistance groups may by now have moved as far west as Lhasa.

[REDACTED]

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4. USAF PILOT MAY BE DOWN IN ALBANIA

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The Albanian radio announced on 7 January that an American air force pilot in a jet trainer had violated Albanian air space and was forced to land by Albanian fighters.

The aircraft is believed to be one missing since 23 December on a flight in the area. 

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**5. USSR PRESSES INDONESIA TO ACCEPT ARMS
AND ECONOMIC AID**

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The Soviet Union is putting "extreme pressure" on Indonesia to accept economic aid, military equipment, and ships for the present emergency.

Indonesian Premier Djuanda told the American ambassador in a "friend-to-friend" talk on 7 January that the early return to Djakarta of the Soviet ambassador, who interviewed the premier on 6 January, was for this purpose. Conditions of payment need not be arranged until after the arrival of the equipment, according to Djuanda.

The USSR is able to provide arms on short notice, and bloc vessels are able to meet Indonesia's overseas shipping needs.

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6. ARMY AND POLITICAL MODERATES MOVING TO EXPLOIT SUKARNO'S ABSENCE

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Both the Indonesian Army and moderate political elements appear to be moving to take advantage of President Sukarno's absence from Indonesia to bring about changes in the government's policies, if not in the government itself. Their efforts seem aimed at decreasing Communist influence and mollifying the

dissident regions. The army has ordered town commanders to hold large-scale "security exercises" beginning on 9 January which would provide an ideal cover, if needed, for any governmental changes that are contemplated.

Sukarno had barely departed before Premier Djuanda called a cabinet meeting, attended by Chief of Staff Nasution, to consider "trade relations" with the outer islands. Nasution has also "summoned" a prominent leader in East Indonesia to Djakarta to report on the local situation.

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Colonel Simbolon, former commander in Sumatra and a leader among disaffected elements there, was quoted on 6 January as having said the Communists had pressed the Djakarta government into its "reckless" anti-Dutch campaign and that Indonesia's independence was in jeopardy because of the regime's leanings toward the Soviet bloc. Simbolon also said that the non-Javanese areas were not willing to become "playthings of the Communist-infiltrated central government."

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**7. DUTCH WARSHIPS BASED IN SINGAPORE MAY
EMBARRASS BRITISH**

Popular resentment against the British may erupt in Singapore, Malaya, and Indonesia over the continued use of Singapore port facilities by Dutch warships, particularly if there should be an incident involving these ships.

Both the British governor and the chief minister in Singapore are watching the situation closely for adverse public reaction. The British have economic interests in Indonesia, second to the Dutch in value, which could be a target of retaliation.

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8. INTERNAL STRUGGLES IN SYRIA

The behind-the-scenes struggle in Syria is sharpening despite the apparent belief of Baath leaders that a public showdown with local Communists should be delayed temporarily for tactical reasons. The Baathist press is now attempting to portray the Communists as opponents of Arab unity, a charge equivalent to treason in the Arab popular mind.

9. ADENAUER ADVISERS URGE REJECTION OF RAPACKI PLAN

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The West German Foreign Ministry is advising Chancellor Adenauer to reject Polish Foreign Minister Rapacki's plan for an atom-free zone in central

Europe. The ministry stresses that no consideration should be given any European security arrangement except in the context of German unification. The ministry has also formulated certain questions for Adenauer's use in talks with the Soviet ambassador concerning control and inspection under the Rapacki plan.

Bonn has consistently opposed plans for neutral belts in central Europe, either political or military, which would tend to confirm the division of Germany. In addition, Bonn would probably refuse to discuss any plan which presumes government-level negotiations between East and West Germany. In public statements, however, Bonn has shown some interest in such proposals in order not to prejudice the diplomatic conversations it will propose in its answer to Bulganin's note. The government is also reluctant to appear "inflexible" in the face of increasing German public interest in East-West talks.

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10. URUGUAYAN OFFICIALS BLAME US FOR ECONOMIC PLIGHT

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High Uruguayan Government officials are again becoming resentful of American economic policies and are claiming that these policies are responsible for the deterioration of Uruguay's economy.

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Two large American-owned meat-packing plants which supplied a major part of Uruguay's meat exports closed recently because government regulations and the lag in government subsidies had crippled their operations. As has been the case when government intervention in the economy crippled other industries, the government is being criticized for mismanagement, while the Communists blame "American policy." Facing election in the fall, government officials are also tending to blame the United States for Uruguay's difficult economic situation.

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11. PANAMA MAY PRESS CANAL CLAIMS



Popular pressures are again building up in Panama for a greater financial return from operations of the Panama Canal. High Panamanian officials are discussing a proposal recently made by the vice foreign minister that Panama demand 50 percent of the gross receipts from the canal, which were approximately \$50,000,000 in 1957. Foreign Minister Boyd, who renewed Panamanian claims to sovereignty in the Canal Zone during the 1956 Suez crisis, has indicated his approval of the idea and may seek to use Panama's seat on the UN Security Council to bring it to world attention.

Moderate President de la Guardia has called the proposal unrealistic, and his attitude is likely to deter serious attempts to encroach on the US position in the Canal Zone in the immediate future. The issue has been exploited by ambitious Panamanian politicians in the past, however, and may be used to weaken de la Guardia's influence.

Under the Remon-Eisenhower Treaty of 1955, the annual payment to Panama for the use of the Canal Zone was raised to \$1,930,000 per year, over 50 percent of the 1957 net profit of the canal operations. In addition, Panama receives approximately \$25,000,000 through zone salaries to its nationals and canal company and US employee purchases. The United States spends an estimated \$50,000,000 annually to defend the zone.

12. ITALIANS CONCERNED OVER SOVIET AID OFFERS
AT CAIRO CONFERENCE

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An Italian Foreign Ministry study maintains that the West has "sadly underestimated" the impact in Asia and Africa of the USSR's offers of unconditional economic aid to all underdeveloped countries, made at the Afro-Asian solidarity conference in Cairo. The ministry believes it would be a grave mistake for the West to respond now by trying to outbid the Communist offers, and thus fall into the "blackmail game, which was the aim of the conference organizers." As a result, Italy has suspended plans for an early presentation to the OEEC of the Pella Plan to finance Middle East development programs with repayments due in Marshall Plan aid.

Instead, the ministry proposes creation of an OEEC working party to investigate ways of neutralizing Soviet economic penetration of underdeveloped countries. The ministry study also showed irritation at the failure of other Western governments to give full support to the Pella Plan and complained that the Paris NATO meeting diverted attention from urgent Middle East problems.